

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses Global Insight's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the July 2006 to the October 2006 *Idaho Economic Forecast*. The July 2006 *Idaho Forecast* is based on Global Insight's July 2006 baseline forecast and the October 2006 *Idaho Forecast* is driven by Global Insight's October 2006 baseline U.S. macroeconomic forecast.

A comparison of several key variables shows how the outlooks for the national and state economies have changed compared to the July 2006 *Idaho Economic Forecast*. The national variables are reviewed first. Once again, the national variables present mixed signals. For example, output, both nominal and real, is lower than in the July forecast. But personal income tells a different story; the outlook for both nominal and real U.S. personal income has been raised. Interestingly, nonfarm employment is a mixed bag. It is significantly lower than had been previously forecast through 2008. However, in 2009 all of the ground lost in the prior years is made up, and U.S. nonfarm employment is 71,000 (0.1%) higher than in July 2006. Inflation is up slightly from the previous forecast.

As is the case with their national counterparts, Idaho nonfarm employment is down slightly from the previous forecast while personal income is up significantly. Recent data suggest Idaho nonfarm employment grew slower than anticipated during the second quarter. This lower starting point combined with the weaker outlook for national economic growth leads to a forecast of marginally slower local job growth compared to the previous forecast. The largest difference (-0.6%) between the current and previous job growth occurs next year. After 2007, the job gap between the two forecasts begins to shrink, and by 2009 it falls to just -0.1%. This September the U.S. Bureau of Economic Analysis revised their quarterly estimates of Idaho personal income back through 2003. These changes were significant enough to require the estimation of the Idaho Economic Model. Notably, Idaho farm proprietors' income was slashed over 50% (one-half billion dollars) in 2005. This change was more than offset by \$1.3 billion increase to dividends, interest, and rent income the same year. Contributions for social insurance were raised \$183 million in 2005, while other labor income was decreased \$164 million. The net impact of these and other changes was Idaho nominal personal income was \$306 million (0.8%) higher in 2005 than had been previously reported and real personal income was up \$215 million (0.6%). This higher starting point for the personal income helps raise the nominal income forecast by over \$1 billion each year. Idaho real personal income is up just under \$1 billion annually compared to the previous forecast.

**IDAHO ECONOMIC FORECAST
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DIFFERENCES BETWEEN
OCTOBER 2006 AND JULY 2006 FORECASTS**

	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP (BILLIONS)									
Current \$	0	0	-11	-22	-31	-55	-96	-68	-53
% Difference	0.0%	0.0%	-0.1%	-0.2%	-0.3%	-0.4%	-0.7%	-0.5%	-0.3%
2000 Chain-Weighted	0	0	-20	-52	-86	-100	-127	-112	-97
% Difference	0.0%	0.0%	-0.2%	-0.5%	-0.8%	-0.9%	-1.1%	-0.9%	-0.8%
PERSONAL INCOME - CURR \$									
Idaho (Millions)	0	0	33	593	306	1,238	1,082	1,098	1,407
% Difference	0.0%	0.0%	0.1%	1.6%	0.8%	2.9%	2.4%	2.2%	2.7%
U.S. (Billions)	0	0	-6	18	2	165	145	129	161
% Difference	0.0%	0.0%	-0.1%	0.2%	0.0%	1.5%	1.3%	1.1%	1.3%
PERSONAL INCOME - 2000 \$									
Idaho (Millions)	0	0	7	505	215	1,024	881	796	962
% Difference	0.0%	0.0%	0.0%	1.5%	0.6%	2.7%	2.2%	1.9%	2.2%
U.S. (Billions)	0	0	-12	6	-14	129	113	78	84
% Difference	0.0%	0.0%	-0.1%	0.1%	-0.1%	1.4%	1.2%	0.8%	0.8%
TOTAL NONFARM EMPLOYMENT									
Idaho	2	7	7	3	1	-1,272	-3,637	-3,322	-605
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.6%	-0.5%	-0.1%
U.S. (Thousands)	0	0	0	0	0	-83	-446	-396	71
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.3%	-0.3%	0.1%
GOODS PRODUCING SECTOR									
Idaho	1	2	2	1	-1	1,058	-92	250	1,448
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	-0.1%	0.2%	1.2%
U.S. (Thousands)	0	0	0	0	0	-26	-201	-210	-102
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.9%	-0.9%	-0.5%
NONGOODS PRODUCING SECTOR									
Idaho	1	5	5	3	2	-2,329	-3,546	-3,572	-2,053
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	-0.7%	-0.6%	-0.4%
U.S. (Thousands)	0	0	0	0	0	-57	-246	-186	173
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.2%	-0.2%	0.1%
FINANCIAL MARKETS									
Federal Funds Rate	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.4%	-0.3%	-0.3%
Bank Prime Rate	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.4%	-0.3%	-0.3%
Mort Rate, Existing Homes	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.4%	-0.3%	-0.2%
INFLATION									
GDP Price Deflator	0.000	0.000	0.100	0.327	0.567	0.539	0.459	0.553	0.532
Personal Cons Deflator	0.000	0.000	0.076	0.127	0.180	0.178	0.135	0.364	0.555
Consumer Price Index	0.000	0.000	0.000	0.000	0.000	0.000	0.002	0.009	0.013

Forecast Begins the **THIRD** Quarter of 2006